

ACA Assurance in Rehabilitation
Updated Information for ACA Assurance Policyholders/Members

May 29, 2009

The NH Superior Court, Merrimack County (the “Court”), recently approved the Rehabilitator’s Plan of Reorganization (the “Plan”) for ACA Assurance (“ACA”). Under the Plan, the Court authorized transactions between ACA and two insurance carriers, Royal Arcanum and Union Vie. In these transactions, all of ACA’s United States and Canadian life insurance policies and annuities will be transferred, with two exceptions. The first exception is that pre-need life insurance policies issued in the United States will remain with ACA. The second exception is that certain TourMed temporary health insurance policies issued in Canada will also remain with ACA. ACA continues to be in rehabilitation.

Royal Arcanum Transaction

All ACA life insurance policies and annuities held by U.S. members, except for pre-need life insurance policies, were transferred to Royal Arcanum on May 14, 2009 by assumption reinsurance. Assumption reinsurance is an irrevocable transaction between insurance companies in which the buying company assumes the entire obligation of the selling company on a group of policies. The policies are transferred from the selling company to the books of the buying company.

ACA members/policyholders whose policies have been transferred to Royal Arcanum will be receiving a letter and other communication directly from Royal Arcanum. However, the following key points are relevant to policies that have been assumption reinsured by Royal Arcanum:

- Your policy remains in effect.
- Royal Arcanum will be administering your policy, and you will become a member of an appropriate Royal Arcanum council.

- Royal Arcanum will be contacting you directly with detailed information.
- The 25% assessment on your life insurance policy or annuity has become permanent, and Royal Arcanum has assumed your policy at this 25% discount. This means that claims payments on life insurance policies and policy and annuity surrenders will be reduced by 25%. The only annuities not reduced by 25% are tax-qualified annuities (e.g. annuities held in an Individual Retirement Account).
- The moratorium on policy surrenders was automatically lifted by operation of the assumption reinsurance by Royal Arcanum. Questions about policy surrenders should be directed to Royal Arcanum-ACA Division, Customer Service at 800-222-8577.
- If you have questions after reviewing the materials you will receive from Royal Arcanum please direct questions to: Royal Arcanum-ACA Division, Customer Service at 800-222-8577.
- If your question cannot be answered by Royal Arcanum, you may direct your further questions to the New Hampshire Insurance Department by calling the Department's Consumer Hotline: 1-800-852-3416.

Union Vie Transaction

The Rehabilitator has entered into a separate agreement with Union Vie that contemplates the assumption reinsurance by Union Vie of all ACA policies issued in Canada, except for TourMed policies. This transaction has not yet closed, and it is not expected to close prior to the end of June.

Although this agreement has been approved by the New Hampshire Court, there are several steps that still must be taken to obtain federal Canadian regulatory approval. These steps will include a public notice of the transaction in Canada.

If the relevant Canadian regulator (OSFI) approves the Union Vie agreement and the transaction closes, ACA members/policyholders whose policies have been assumption reinsured by Union Vie will be receiving a letter and other communication directly from Union Vie. However, the following key points are relevant to policies that are expected to be assumption reinsured by Union Vie later this year:

- Your policy will remain in effect.
- Union Vie has already been administering your policy, so you should not notice any change.
- Upon the closing of the assumption reinsurance transaction (which will not take place until late June at the earliest), you will be hearing from Union Vie directly with information regarding your policy.
- If your life insurance policy or annuity has been assessed, this assessment will become permanent, and Union Vie will be assuming your policy at this 25% discount. This means that claims payments on assessed life insurance policies and policy and annuity surrenders will be reduced by 25%.
- The moratorium on policy surrenders will be lifted automatically at the time your policy is assumption reinsured with Union Vie.
- You will be receiving letters with respect to this transaction from both ACA and Union Vie. The letter from ACA will provide you with contact information in case you have questions. If you have questions of Union Vie, please direct them to Union Vie's call center: 1-800-567-0988. To learn more about Union Vie, you can visit their website at www.union-vie.com

Pre-Need Life Insurance Policies

- ACA's pre-need life insurance policies issued in the United States remain with ACA, and these policies were not included in the U.S. policies assumed by Royal Arcanum.
- The moratorium on policy surrenders remains in place, although hardship surrenders will continue to be considered on a case-by-case basis.
- The 25% assessment remains in place. Claims payments will continue to be made, reduced by the 25% assessment. Hardship surrenders will also be reduced by 25%.
- The Rehabilitator has not yet decided what future arrangements may be made for the transfer or surrender of the pre-need life insurance policies. Although there is a provision in the Rehabilitator's agreement with Royal Arcanum that contemplates the possible future assumption of these policies by Royal Arcanum, such a transaction is subject to a number of conditions and may not ultimately be practicable.

- The Rehabilitator will be providing further information to pre-need policyholders once it is available.
- During this interim period, pre-need policyholder members of ACA will be transferred to the home office chapter of ACA.
- If you have questions that are not addressed by the foregoing, please contact: Pauline Lally at 800-222-8577.

Status of the Rehabilitation Generally

- ACA Assurance remains in rehabilitation.
- The Commissioner of Insurance is the Rehabilitator.
- The Rehabilitation is an ongoing proceeding before the New Hampshire Superior Court, Merrimack County.
- Rehabilitation is authorized under New Hampshire law pursuant to RSA Chapter 402-C.
- General questions about the rehabilitation of ACA Assurance that are not covered above should be directed to the Rehabilitator's legal counsel, Steven Lauwers at 603-226-2600.